

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 11, 2023

TO: Honorable Briscoe Cain, Chair, House Committee on Agriculture & Livestock

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2818 by Cain (Relating to the production and regulation of hemp; providing administrative penalties; creating a criminal offense.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2818, As Introduced : an impact of \$0 through the biennium ending August 31, 2025.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	\$0
2025	\$0
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from State Hemp Program 5178</i>	<i>Probable Revenue Gain from State Hemp Program 5178</i>	<i>Probable Revenue (Loss) from State Hemp Program 5178</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	(\$222,576)	\$222,576	(\$700)	2.0
2025	(\$191,568)	\$191,568	(\$700)	2.0
2026	(\$191,568)	\$191,568	(\$700)	2.0
2027	(\$191,568)	\$191,568	(\$700)	2.0
2028	(\$191,568)	\$191,568	(\$700)	2.0

Fiscal Analysis

The bill would amend the Agriculture Code to direct the Department of Agriculture (TDA) to issue licenses to institutions of higher education without a fee. The bill would exempt these institutions from having to obtain lot crop permits for hemp research and from having to conduct pre-harvest testing. The bill would allow these institutions to cultivate and handle varieties of hemp seed and plants that are not otherwise approved by the department; collect and research feral hemp; and conduct research involving hemp in conjunction with a license holder at a facility designated by the license holder for research use only. The bill would prohibit these institutions from selling or transferring hemp to another person unless the institution complies with certain requirements in the bill.

The bill would require TDA to propose necessary rule changes within timelines established by the bill.

The bill would impose penalties for persons who continue to cultivate, handle, or transport hemp without obtaining a license, to include a \$500 administrative penalty on the first and second violations with the third and subsequent offenses being Class B misdemeanors. The bill would require that the penalties would be deposited to General Revenue-Dedicated State Hemp Program Fund No. 5178.

Methodology

For the purposes of this analysis, it is assumed that costs for implementing the provisions of the bill would be funded from General Revenue-Dedicated State Hemp Program Fund No. 5178 and that additional fees would need to be generated to cover these costs pursuant to the requirements of Agriculture Code, Sec. 122.052.

Based on information provided by TDA, it is assumed that an additional two FTEs (Attorney II and Program Specialist II) each fiscal year would be needed to assist with handling complaints and violations. The estimated personnel cost (salary, benefits, and operating) for two FTEs is \$222,576 in FY 2024 and \$191,568 in each subsequent years fiscal year.

Based on information provided by TDA, there are currently 7 institutions with licenses that pay an annual fee of \$100 that would be exempted from paying the fee under the provisions of the bill. For the purposes of this analysis, it is assumed a revenue loss of \$700 to General Revenue-Dedicated State Hemp Program Fund No. 5178 would be realized each fiscal year from these institutions not paying a fee.

Based on information provided by the Comptroller of Public Accounts, this analysis assumes the fiscal impact related to penalties cannot be determined because the amounts and timing of any fees, penalties, and court costs is unknown.

Based on information provided by the Office of Court Administration, it is assumed that the establishment of an offense for cultivating hemp without a license would not have a significant fiscal impact to the state court system.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 537 State Health Services, Department of, 551 Department of Agriculture

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